

## AGRICULTURE

### *Background*

Puerto Rico's agricultural sector was heavily damaged by Hurricane Georges. Total agricultural losses are estimated at more than \$315 million which include: \$176 million in crop losses, \$61 million in livestock losses, and \$78 million in physical losses (e.g., barns, dairies, processing plants, and drainage systems). Vast agricultural areas were defoliated as a result of the storm's sustained 115 mile per hour winds. An estimated 95 percent of the island's plantain and banana crops and 75 percent of the coffee crop were destroyed. The poultry industry lost an estimated 4.5 million chickens, which account for 65 percent of the industry's production capability. Many of the 36,000 jobs in the agricultural sector were affected by the storm.

USDA is providing technical assistance and several financing tools to respond to the severe agricultural losses and to mitigate against future damage. Federal assistance is focused on:

1. financial assistance for crop and physical losses;
2. expanding agricultural insurance coverage; and
3. financial and technical assistance for conservation measures to reduce flooding and erosion.

Task Force Agencies will continue to work with the Government of Puerto Rico to address agricultural needs as they are identified.



*Storm damage to Puerto Rico's agriculture was devastating. These rows of plantain trees were flattened by the hurricane's winds.*

### *Financial Assistance for Crop and Physical Losses*

**17.0 Requirement:** Provide financial assistance for agricultural production and physical losses, and technical assistance.

**17.1 Action:** The Puerto Rico Department of Agriculture, through its Corporation Seguros Agrícolas (CSA) (Agriculture Insurance Company), provides farmers with insurance policies for crop loss due to hurricane damage. CSA will disburse an estimated \$116 million in crop loss claim payments as a result of Hurricane Georges. Under a reinsurance agreement with USDA's RMA, approximately \$98.6 million of the estimated \$116 million insured crop losses will be funded by RMA.

■ USDA's FSA, under the Noninsured Crop Disaster Assistance Program (NAP), provides assistance to farmers who produce a crop which CSA does not insure. A request for NAP assistance has been submitted by the FSA Puerto Rico office based on documented uninsured crop losses. Approximately 2,100 producers have filed crop loss reports and requests for appraisal. FSA, in conjunction with RMA and CSA, is assessing and responding to the need for crop loss adjusters, especially Spanish-speaking individuals. An assessment of impacted crops/commodities that are not covered under authorized FSA disaster assistance programs (if there are any) will be carefully monitored and addressed.

■ **17.2 Action:** FSA also will provide assistance under its Tree Assistance Program for the replacement or rehabilitation of trees impacted by Hurricane Georges. Approximately 200 applications have been received.

■ **17.3 Action:** USDA is undertaking a number of outreach efforts to ensure that farmers are aware of and have access to available Federal assistance. Efforts include a series of public meetings to disseminate information, explain programs, and assist in the application process.

**18.0 Requirement:** Provide emergency and long-term loans to farmers who have been impacted by the hurricane.



*The poultry industry suffered severe losses.*

■ **18.1 Action:** FSA is making available low-interest Emergency (EM) loans for eligible agricultural producers impacted by the disaster. Loans are made to established family farmers who have suffered either a physical loss (buildings, land, etc.) or production loss (planted or stored crops, or livestock). In fiscal year 1997, when the last hurricane hit, Puerto Rico made 665 EM loans totaling \$35.2 million. Approximately 2,200 applications for EM loans have been received since Hurricane Georges.

■ **18.2 Action:** FSA has established Loan Jump Teams to expedite the processing of EM loan applications. These teams consist of highly trained loan officers and support staff who are sent to areas in need of assistance in processing EM loans. The teams can be deployed to any FSA office within 72 hours of a request for assistance. A Spanish-speaking team will be sent to Puerto Rico upon request, and interpreters will accompany other teams as necessary.

■ **18.3 Action:** FSA will make its farm loan programs available to farmers on an ongoing basis. FSA makes and guarantees loans to family farmers to purchase farmland, livestock, equipment, and other materials necessary for a successful farming operation. FSA also makes and guarantees loans for annual operating expenses. In fiscal year 1998, FSA made or guaranteed 351 loans totaling \$31.2 million. It is projected that a similar level of loan volume will be made this year to farmers who are experiencing financial difficulties and are unable to secure credit elsewhere.

## *Expanding Agricultural Insurance Coverage*

**19.0 Requirement:** Assist the Government of Puerto Rico to develop insurance programs that meet the unique needs of Puerto Rico's farmers.

■ **19.1 Action:** RMA will continue to provide CSA with program support and will assist it in evaluating current program participation and in finding ways that CSA can expand its insurance programs. The Federal Crop Insurance program is administered by the Federal Crop Insurance Corporation under RMA. Policies providing crop loss coverage to farmers are sold by private insurance companies and reinsured by RMA. In Puerto Rico, the crop insurance program is administered and sold by CSA, an agency of the Puerto Rico Department of Agriculture. For the 1998 growing season, CSA issued 6,700 crop insurance policies (up from 2,000 policies in 1995) covering agricultural commodities such as coffee, vegetables, bananas, and plantains. RMA provides reinsurance and technical assistance to CSA, which is responsible for policy development, sales, and loss adjustment. CSA has the flexibility to develop additional crop and cause of loss coverage to promote and expand the crop insurance program in Puerto Rico.

■ **19.2 Action:** NFIP is working with the Government of Puerto Rico to market flood insurance policies to farmers. Flood policies cover flood damage to farm structures such as houses, barns, silos, and grain storage bins. Contents insurance is also available for these types of structures.

## *Conservation Measures to Reduce Flooding and Erosion*

**20.0 Requirement:** Provide assistance to remove debris from waterways and to mitigate against severe streambank erosion.

■ **20.1 Action:** USDA's NRCS, through the Emergency Watershed Protection Program, is providing \$4 million in financial and technical assistance to address flooding and erosion problems. NRCS estimates there are more than 50 streambank protection sites and 75 debris removal sites that will receive assistance during the next 12 months. NRCS will meet with local sponsors of the ongoing Añasco River, Guayanes River, and Toa Baja Lake watershed projects to determine if modifications to the projects are needed as a result of the hurricane. NRCS and FEMA will meet with project sponsors to discuss alternative funding sources.

■ **20.2 Action:** FSA will implement an aggressive outreach effort to encourage agricultural producers to join the Conservation Reserve Program (CRP). CRP conservation measures can reduce soil erosion and flooding during future disasters. The program protects the most fragile farm-



*Wind- and water-borne debris is cleared from one of many bridges damaged by the storm.*

land by working with producers to preserve highly erodible acreage. Producers whose land is accepted into the program receive a rental payment each year as part of a multiyear contract.

**21.0 Requirement:** Provide assistance for restoring farmland to predisaster conditions.

■ **21.1 Action:** Assistance in the amount of \$3.2 million was approved for Puerto Rico to rehabilitate farmlands. The assistance can be used to remove debris on flooded land, replace fencing, grade land, and restore conservation structures to predisaster condition.

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A The assistance is being provided under FSA's Emergency Conservation Program. To date, more than 7,000 applications have been filed requesting assistance.

Additional requests for assistance are anticipated, especially for special conservation practices that can mitigate the effects of future high wind, rain, and flooding.

**22.0 Requirement:** Provide satellite imagery and aerial photographs to assist in reforestation efforts and the protection of beaches and coral reefs from future damage.

■ **22.1 Action:** The Forest Service Agency has acquired high-altitude photographs and satellite imagery of Puerto Rico during and after the hurricane. Information from these photographs and satellite images is being provided to the Forest Service's Institute for Tropical Forestry in San Juan, Puerto Rico. It is being used to assess damage to various ecosystems, and to plan necessary restoration efforts.

## NON-AGRICULTURE

### *Background*

The economic damage caused by Hurricane Georges to the communities of Puerto Rico has assumed catastrophic proportions. Hurricane Georges caused an estimated \$2 billion in nonagricultural business damages and economic losses. The magnitude of the destruction has affected every economic sector of the island. Puerto Rico's economy before the hurricane had an unemployment rate of 13 percent. Although most businesses may be able to recover, some may not survive. A significant number of displaced workers will be added to the number of unemployed in economically distressed rural and urban areas. Damage to large businesses, manufacturing firms, and wholesalers was minimal, although many of these businesses were forced to close down for a substantial period of time because of widespread power outages. Damage to small businesses was widespread with the worst damage affecting small businesses in Puerto Rico's interior municipalities.



*This business is one of many to suffer damage from the hurricane.*

Within this challenged economic environment, the Federal community is positioning its programs and available resources to support local efforts for economic revitalization, encourage future economic growth, and bolster long-term sustainability. This will be accomplished by:

1. providing community development planning assistance to more effectively implement long-term recovery;
2. supporting small business recovery;
3. encouraging new investment;
4. proposing fiscal assistance;
5. providing unemployment assistance; and
6. promoting flood insurance for homeowners, renters, and businesses.

Additional areas of assistance will be considered as needs are identified in the coming months.

### *Community Development Planning*

**23.0 Requirement:** Provide community development planning assistance to more effectively implement strategic long-term recovery.

- **23.1 Action:** Federal disaster resources are available to help impacted communities develop a strategic planning approach to resolve problems caused by the hurricane. HUD is making available technical assistance for economic development strategies and financial packaging. EDA has provided a \$100,000 planning grant to the University of Puerto Rico's Economic Development University Center. The University has an ongoing economic development relationship with the municipalities and has provided EDA-funded economic recovery planning services in response to disasters. The grant will also support the strengthening of municipal and local community capabilities to undertake strategic, long-term economic recovery planning.

### *Small Business Recovery*

**24.0 Requirement:** Provide financial assistance to accelerate small business recovery.

**24.1 Action:** SBA, USDA, HUD, and EDA are working together to maximize the impact their resources can have on assisting small businesses and communities. Federal Agencies are coordinating their program referrals to improve access to assistance, and to streamline the overall response and delivery of assistance to disaster-impacted communities. This program coordination effort also will help to avoid duplication of assistance and program overlap, and to improve efficiency in the use of Federal funds.

- **24.2 Action:** The Government of Puerto Rico has taken actions to accelerate the recovery of small businesses in the interior of the island. In mid-October, Puerto Rico's Department of Economic Development and Commerce made \$3 million available from its Growth Fund to match \$1.75 million from the Puerto Rico Economic Development Bank. This match established a \$4.75 million Small Business Disaster Loan Fund. The Fund provides loans for up to \$10,000 to small retailers and service businesses in the interior of the island. Over 35 percent of small businesses throughout the island sustained significant damage. In support of this new loan program, SBA agreed to accept the Government of Puerto Rico's small business disaster loans as interim financing. This allows SBA loan recipients to receive immediate financing and to repay their Government of Puerto Rico small business disaster loans with SBA funds. More than 560 loans have already been made, and most small retail and services businesses have begun operating again. This local loan refinancing initiative has proved to be remarkably responsive in accelerating business recovery.

- **24.3 Action:** SBA has been very active in the recovery effort. It has approved 857 business loans totaling \$12.7 million. The average loan amount is \$14,811. The disaster loans are available to any size business



or nonprofit organization (excluding agricultural enterprises) to repair or replace property that is not compensated for by insurance. Small businesses are also eligible for loans to provide working capital needed as a result of the disaster.

■ **24.4 Action:** EDA has committed \$1 million to Puerto Rico's Economic Development Bank for a revolving loan fund assistance program. The program will provide a local source of financial assistance for business recovery. EDA anticipates the funds will fill shortfalls in financing when other lending assistance is unavailable or insufficient. The program will operate through a referral process to complement the financing available from other Federal Agencies and their financial intermediaries.

■ **24.5 Action:** EDA also is providing \$1 million to the municipality of Vega Baja to construct a multi-tenant industrial building. The multi-tenant building project, consistent with local disaster economic recovery priorities, had been under consideration by EDA prior to Hurricane Georges and was considered on a competitive basis as part of the Agency's annual program appropriations. The project is meant to encourage long-term economic recovery by developing affordable, flexible-use industrial space for small businesses. The growth of small businesses will, in turn, help create and retain jobs. EDA has previously supported multi-tenant industrial buildings in a number of Puerto Rican municipalities. The projects have been very successful in creating jobs for small and expanding businesses. The Puerto Rico Economic Development University Center, Puerto Rico's Industrial Development Company, and the Puerto Rico Planning Board (PRPB) have provided assistance for these projects in the past.



*Rapid reopening of small businesses is critical to the island's recovery.*

■ **24.6 Action:** HUD will assist the Government of Puerto Rico in any reprogramming of its annual CDBG funds for use in economic recovery projects. The CDBG funds are being considered for projects to help disaster-affected businesses create and retain jobs, make relocation payments for displaced businesses, and rehabilitate commercial buildings. CDBG assistance focuses on areas of need not eligible for FEMA, SBA, or USACE assistance.

■ **24.7 Action:** USDA's Rural Business-Cooperative Service (RBS) has three programs that businesses in Puerto Rico can utilize. The Business and Industry Direct and Guaranteed Loan programs provide direct and subsidized loans to businesses in rural areas that cannot obtain credit elsewhere. The allocation for Puerto Rico for fiscal year 1999 is \$31.4 million in guaranteed loans and \$1.9 million in direct loans. Both programs also have some additional funding set aside in a national re-

serve for which businesses can compete. In addition, RBS provides assistance through the Rural Business Enterprise Grant Program for small and emerging businesses. The fiscal year 1999 allocation for Puerto Rico is \$1.1 million in grants.

### *Encouraging New Investment*

**25.0 Requirement:** Provide Federal tax credits to encourage job-creating private sector investment in Puerto Rico from the States.

■ **25.1 Action:** The Department of the Treasury will continue to pursue two tax initiatives for Puerto Rico. The first initiative would provide a Federal tax credit to U.S. companies based on economic activity in Puerto Rico. This would open the credit provided under Section 30A of the Internal Revenue Code to newly established businesses and extend Section 30A beyond the year 2005.

The second initiative would provide a tax credit to U.S. corporations that conduct research and development (R&D) in Puerto Rico. This expansion of the R&D credit would fit well with actions Puerto Rico has already taken to attract R&D activities, which include the 200 percent “super deduction” that Puerto Rico provides for R&D expenses.

### *Proposing Fiscal Assistance*

**26.0 Requirement:** Provide fiscal assistance to the Government of Puerto Rico and the Puerto Rico Conservation Trust.

■ **26.1 Action:** One of the primary means of Federal assistance to Puerto Rico is the payment to Puerto Rico (and the Virgin Islands) of the Federal excise tax on rum not produced in the United States. For fiscal years 1993-1998, \$11.30 of the \$13.50 per gallon tax was paid over to Puerto Rico. Current law provides that only \$10.50 of the per gallon tax is paid over. The Administration has proposed that the full \$13.50 be paid over, with \$.50 per gallon over 5 years dedicated to the Puerto Rico Conservation Trust. The Trust is a creation of the Department of the Interior and Puerto Rico to preserve the island’s natural and historic resources. The Trust lost 80 percent of its funding with the 1996 repeal of a provision of Internal Revenue Code Section 936, a tax credit based on stateside corporate income attributed to territories. This initiative will provide assistance to Puerto Rico and the Trust, which have an urgent need for fiscal assistance because of the disaster.

### *Providing Unemployment Assistance*

**27.0 Requirement:** Provide assistance to individuals who are unemployed as a result of the hurricane.



■ **27.1 Action:** DOL will provide up to \$30 million to create approximately 12,000 temporary jobs to assist in immediate and long-term cleanup and recovery efforts. Individuals who have been temporarily dislocated as a result of the disaster, the long-term unemployed, and other eligible dislocated workers may participate in the temporary jobs creation program. This program involves the creation of work brigades that have been designated by the Governor to operate a cleanup and restoration program throughout the island.

DOL is also providing Disaster Unemployment Assistance (DUA), which provides temporary partial income assistance to individuals whose job loss is a direct result of the disaster. To date 4,747 applications have been approved and over \$1.8 million in DUA weekly assistance is being provided. Puerto Rico's Department of Labor and Human Resources staff have been stationed in 15 emergency outreach centers around the island to work with victims and to receive DUA applications.

In addition, DOL is using funds from a special Congressional Emergency Supplemental Appropriation to provide support services for migrant and seasonal farmworkers who were affected by the severe damage done to Puerto Rico's agricultural sector.

### *Promoting Flood Insurance*

**28.0 Requirement:** Increase the number of structures covered by flood insurance.

■ **28.1 Action:** FEMA will continue to assist the Government of Puerto Rico to provide people who are living in and out of flood hazard areas with information on flood insurance. Hurricane Georges has provided an opportunity to capitalize on the heightened public awareness of flooding. Approximately 434,000 people in Puerto Rico live in identified floodplains. Only 43,757 have flood insurance. Awareness is the first step in changing people's behavior and encouraging them to take actions to reduce their financial exposure. Flood insurance publications in Spanish are available at the Disaster Recovery Centers throughout the island, and other informational activities, such as workshops, can be employed. FEMA has also been working closely with Puerto Rico's Insurance Commissioner's office and the Write Your Own Insurance Companies to provide flood insurance information to the public, lenders, agents, and the insurance industry as part of the awareness campaign.

■ **28.2 Action:** NFIP is working with the Government of Puerto Rico to market flood insurance to small businesses. Flood insurance provides coverage for buildings and the inventories of businesses.

